

FORESTRY FACTS

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The Managed Forest Law Property Tax Program

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The Managed Forest Law (MFL) program can ease the property tax burden for Wisconsin forestland owners who wish to manage their woodlands. The MFL program is intended to foster timber production on private forests, while recognizing other values. MFL participants pay property taxes at a reduced rate. A portion of the foregone taxes is recouped by the state at the time the timber is harvested. The Wisconsin Department of Revenue estimates MFL program participants can reduce their property tax an average of 80% after paying harvest taxes. The MFL program can be a good deal for some landowners, but is it a good deal for you?

Conditions

The MFL program is open to all private landowners with at least 10 acres of woods or forestland that meet three requirements:

1. 80% of the land must be productive forestland capable of producing wood products (can grow at least 20 cubic feet of wood per acre per year).
2. Forests must cover 80% of the land. A forest is an area currently forested or will soon be regenerated to forests.
3. The minimum average width of the enrolled land is no less than 120 feet.

If you decide to enroll some or all of your land in the MFL program, you must choose a contract period of either 25 or 50 years. If you decide to withdraw land from the program before the contract period ends, you will be required to pay a penalty. There is no penalty if you choose not to renew at the expiration of the contract. If you sell or otherwise transfer the enrolled land prior to the end of the contract period, the new owner must either continue the current MFL contract or withdraw from the program and pay the penalties.

Forest Management Plan

Participation in the MFL program requires an approved, written forest management plan and an application fee of \$300. The plan may be prepared by

To enroll in the MFL program, your completed application must be **postmarked by July 1st** with the entry effective 18 months later. For example, applications postmarked on or before July 1, 2005 are processed in 2005/06 for an effective date of January 1, 2007. The tax benefits would first appear on your 2007 tax bill, which is received in December of 2007.

either a private plan writer certified by the Department of Natural Resources (DNR) or a local DNR forester. The plan must be based on sustainable forest management practices, and a DNR service forester must approve it.

In writing the plan, it is important to remember that the MFL program is primarily focused on timber production. The expectation is that you will manage your land to meet that objective, with other objectives secondary, such as wildlife enhancement or recreation. Many forest values are compatible, but if a conflict arises, the law requires deference to timber production.

The plan must also outline both mandatory and recommended management practices. For example, tree planting or timber harvesting may be required, while some thinning treatments may be optional. To stay in the MFL program, you must at a minimum complete the mandatory practices. The MFL program also forbids livestock grazing on enrolled forestlands.

Property Tax and Public Access

To get the lowest annual property tax rate, you must allow the public to access your land. Access on these “open” lands is only for hunting, fishing, hiking, sightseeing, and cross-country skiing.

You may choose to “close” your land to public access. However, there are limits to the number of acres per municipality (city, town, or village) that you may designate as closed, depending on when your land is enrolled in the program. The tax rates on “closed” land are higher.

- For lands enrolled in **1987 through 2004**, you may close to public access up to 80 acres per municipality.
- If you enroll lands in **2005 or later**, you may close to public access a maximum of 160 acres per municipality.
- If you have lands enrolled under **both time periods**, you are limited to closing 160 acres to public access, of which no more than 80 acres may be lands enrolled in 1987 through 2004.

Current MFL Program Annual Property Tax Rates

1987 – 2004 Entries

“Open” enrolled lands..... \$0.83 per acre

“Closed” enrolled lands \$1.95 per acre

2005 and Later Entries

“Open” enrolled lands..... \$1.46 per acre

“Closed” enrolled lands \$7.28 per acre

Note: All rates will be recalculated in 2008 and every 5th year thereafter.

All MFL program participants can restrict access without charge to areas that are within 300 feet of any building or harvesting operation. Snowmobiles and other motorized vehicles can also be prohibited on enrolled lands that are otherwise open to the public.

Participants must allow periodic field inspections by DNR foresters.

Timber Harvests and Yield Tax

MFL program participants must follow the approved management plan and pay a 5% yield tax on timber harvested. Participants are also required to file a cutting notice with the DNR prior to harvesting timber. Failure to do so can result in a fine of up to \$1,000.

After a timber harvest, landowners must file a cutting report with the DNR that accurately details the volume of the timber removed. This report forms the basis for calculating the 5% yield tax.

Many people assume that the yield tax is based on the dollar amount, or stumpage price, they receive for their timber. **This is NOT true!** The yield tax is based on the volume you harvest and the average stumpage prices for similar logs or wood in your area as calculated annually by the DNR. These average stumpage prices may or may not reflect what you actually receive from your sale. Most lands enrolled in the program in 2005 or later are exempt from yield tax during the first 5 years, but landowners must still file the cutting notice and report for timber harvested.

In addition, you will need to complete any post-harvest activities as required by the management plan. These might include retiring skid trails, seeding the landing, or controlling runoff.

Professional Assistance

Either a private forester who has been certified by the DNR to write plans or a local DNR forester can assist you in developing your MFL management plan. This individual can help you define your land management objectives and plan for the future of your land. Foresters certified to write plans in Wisconsin are familiar with the MFL program and can ensure that your plan meets its requirements.

A Good Deal?

The primary benefits of the MFL program for the landowner are reduced annual property taxes and tax deferment. You also receive the benefit of a professional forester’s advice in crafting the management plan.

For some landowners, potential drawbacks of the program may be the public access incentive and the emphasis on timber production. In addition, if you choose to have a private forester develop your management plan, there may be a fee for that service.

If you are interested in participating in the MFL program, consider discussing the pros and cons with a neighbor or friend who is enrolled in the program. In addition, the DNR service forester in your county can explain the technical details and help you weigh your options. A public or private forester can also provide practical advice based on his or her experience with other landowners and the MFL program.

If you decide that the MFL program makes sense for you, the next step is to obtain an application form from your local DNR office. You may also download the forms and instructions on the Internet at: <http://dnr.wi.gov/org/land/forestry/ftax/forms.htm>

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